

February, 1959



THE NATIONAL *Voter*

LEAGUE OF WOMEN VOTERS OF THE U. S.

1026 17th STREET, N. W., WASHINGTON 6, D. C.

Trade Makes All the Difference in the World

New initiatives to step up the economic growth of the developing nations of Asia, Africa, the Middle East, and Latin America are not confined solely to the fields of foreign aid or investment. Recent attention is also being given to furthering the economic growth of these countries by helping with their trade problems.

For the most part, the developing nations are producers of primary commodities, i.e., raw materials such as coffee, cocoa, lead, zinc, rubber, cotton, wool, and rice. Many of them depend to an overwhelming degree upon the export of one or two commodities to earn the money (foreign exchange) to pay for machinery, transport equipment, and other manufactured goods which they need to import for their economic growth. The developing countries are particularly sensitive to decreasing demand or declining prices. Financially poor, they lack reserves to tide them over if trade slackens. Stable trade, and more trade, are of utmost importance to them. Trade can be a decisive factor in their ability to maintain growing economies—or sometimes even to keep them from moving backwards.

The particular vulnerability of the developing nations to the instabilities of primary-commodity trade has been a problem for some time. However, in recent years the problem became more acute. Overproduction of primary products, the recession in the United States, economic slowdown in Western Europe, the dumping of tin by the Soviet Union and of textile products by Communist China contributed to the political, economic, and social difficulties facing some of the developing countries. For ex-

ample, in Chile in 1956 the price of copper was 42 cents a pound; in 1958, 25 cents a pound. Each one-cent drop in price cost Chile \$6 million in foreign exchange earnings. In a recent 12-month period the developing countries showed a drop of \$2 billion to \$2.5 billion in foreign exchange earnings. Their losses have had a serious effect on their capacity to import.

There is growing evidence that the governments of both the developing and developed countries are taking a fresh look at the means of coping with primary-product problems.

U.N. ACTION

Various organs of the United Nations gave a great deal of attention during 1958 to the problem.

The Commission on International Commodity Trade (CICT) was reconstituted in 1958 with new terms of reference and new members, including the United Kingdom, which had withdrawn in 1956, and the United States, which had not been a member before. The CICT was set up in 1954, as a subsidiary of the U.N. Economic and Social Council (ECOSOC), to examine and recommend "measures designed to avoid excessive fluctuations in the prices of and the volume of trade in primary commodities, including measures aiming at the maintenance of a just and equitable relationship between the prices of primary commodities and the prices of manufactured goods in international trade."

Under its new terms of reference, the CICT's attention will no longer be focused solely on primary-commodity price problems and price measures but will be shifted to the

problem of commodity trade in general, including the effect on the economies of the trading countries. The Commission is now meeting.

In December 1958, the U.N. General Assembly by an 80-to-1 vote approved a resolution urging member states to continue to examine on a commodity-by-commodity basis what measures may be desirable for the solution of commodity problems.

The United Nations also sponsored meetings on specific commodities during 1958. For example, a negotiating conference held in Geneva in September and October renewed, with certain alterations, the International Sugar Agreement. And, after preparatory meetings in 1958, a negotiating conference is currently being held in Geneva for continuing the International Wheat Agreement.

Ad hoc exploratory meetings on copper, lead, and zinc, held in London in September 1958 under U.N. auspices, resulted in agreement that no action on copper was needed but that further attention to lead and zinc was advisable. A U.N. conference on lead and zinc followed in Geneva in November 1958; although a multilateral agreement on these two commodities did not result, creation of an intergovernmental study group is still being considered.

Problems related to other commodities (e.g., cocoa, cotton, grains, rice, and rubber) were kept under close review during 1958 by the Food and Agricultural Organization (FAO) and its subsidiaries.

MAJOR GATT TOPIC

The export problems of the developing countries, tariff reductions, and

the effects of agricultural protectionism on trade were the three major items on the agenda of the 13th session of the General Agreement on Tariffs and Trade, which met in Geneva in the fall of 1958.

Ministerial representatives of the 37 nations party to GATT—whose participating countries account for almost 85 percent of world trade—devoted much of their time to what is known as the Haberler Report.

A panel of four experts, headed by Gottfried Haberler, professor of economics at Harvard University, had been asked at the 1957 session of GATT to study trends in international trade, with special emphasis on primary products and agricultural protectionism. The other panel members were: Roberto de Oliveira Campos, Director of the Brazilian National Bank for Economic Development, and professor of economics at the University of Brazil; James Meade, professor of political economy, University of Cambridge; Jan Tinbergen, professor of development programming at the Netherlands Institute for Advanced Economic Studies.

Among major recommendations of the Haberler Report for improving the prospects of primary-producing countries are:

- *More adequate domestic measures against business recessions.* "Avoidance of business cycles and maintenance of a steady rate of domestic growth are the most important contributions which the highly industrialized countries can make to the stabilization of the market for primary products."
- *Provision of greater international liquidity* (an increase in liquid reserves including gold and foreign exchange). "The best way to bring this about would be something like a doubling of the International Monetary Fund resources and drawing rights."
- *Reduction of certain revenue duties in countries consuming tropical foodstuffs and beverages.* "A substantial contribution could be made by the industrial countries" (mainly Western Europe) through the reductions of high revenue duties (import and/or internal taxes, e.g., heavy duties on coffee in Italy and Germany) "to give to nonindustrial areas better access to their markets and therefore assist them in securing

larger export proceeds to finance the import requirements of their development programs."

- *Moderation of agricultural protectionism in Western Europe and North America.* "Much could be achieved by some moderate change in the direction of agricultural policies of the highly developed countries" since "a relatively small restraint on domestic production or stimulus to domestic consumption could lead to a larger percentage increase in their net imports."

- *Shift of methods of agricultural protection in such countries away from price support toward deficiency payment systems.* Deficiency payments keep the producers' net return steady by varying the subsidies granted to them. Price supports which maintain domestic prices at levels above world market prices have the disadvantage of leading to some form of import restriction.

- *Reduction of protection against the import of minerals.* "Protectionist measures in favor of their mining and oil industries limit access to the domestic market in some highly industrialized countries; this reduces the earning capacity of primary producers, preventing them from enjoying their natural competitive advantage in that field."

- *Avoidance of trade-diverting measures in regional economic arrangements such as the European Economic Community (EEC).* "The association of the overseas territories with the EEC gives rise to the danger that the European demand for tropical foodstuffs and beverages from outside sources will be reduced." The Report recommends ways in which the EEC can operate in a "trade-creating" rather than a "trade-diverting" way.

The Haberler Report further indicates that "it is desirable to supplement general stabilization policies (e.g., control of business cycles and increased international liquidity) with measures for the stabilization of particular commodity markets, where such measures are practicable and innocuous on other grounds." Several variations in international commodity schemes were described, including the suggestion that "agreement might be facilitated by simultaneous negotiation on a number of commodities, since a country which has an export-

er's interest in one commodity often has an importer's interest in another."

C. Douglas Dillon, Deputy Under Secretary of State for Economic Affairs, reflected U.S. preliminary reactions to the Haberler Report in his October 16 address to the GATT ministerial session as follows:

"First, we are impressed by the sections of the report dealing with the impact of internal taxes levied by certain industrialized countries, which severely limit the consumption of primary products such as coffee and tea, the market for which is of importance to the economic development of many countries in Latin America, Africa, and Asia. . . .

"Second, we welcome the emphasis in the report on the fact that the maintenance of a healthy international economic system is of much greater significance for the well-being of primary producers than are efforts to regulate production, prices, and trade in particular commodities.

"However, we find ourselves unable to concur with certain conclusions in the report relating to commodity stabilization schemes. . . ."

At the close of the session, ministers agreed that "a more rapid rate of expansion in the export trade of the less-developed countries is an essential condition of economic development." They agreed that "in addition to the efforts of the underdeveloped countries themselves, the more developed countries could make an important contribution, not only by maintaining conditions favorable to the export trade of less-developed countries but also by avoiding commercial policy and other measures which have harmful effects on such trade in respect of both primary products and manufactured goods."

Taking into account the Haberler Report as well as the general discussion at the fall session, the contracting parties to GATT created three committees to initiate consideration of a coordinated program for further reduction of barriers to expanding world trade. The three key areas are: 1) the possibilities of further negotiations for the reduction of tariffs; 2) problems arising out of the widespread use of nontariff measures for the protection of agriculture, or in support of the maintenance of income of agricultural producers; 3) other obstacles to expansion of trade, with reference to the importance of

maintaining and expanding export earnings of less-developed countries (including diversification of their economies).

U.S. POLICY

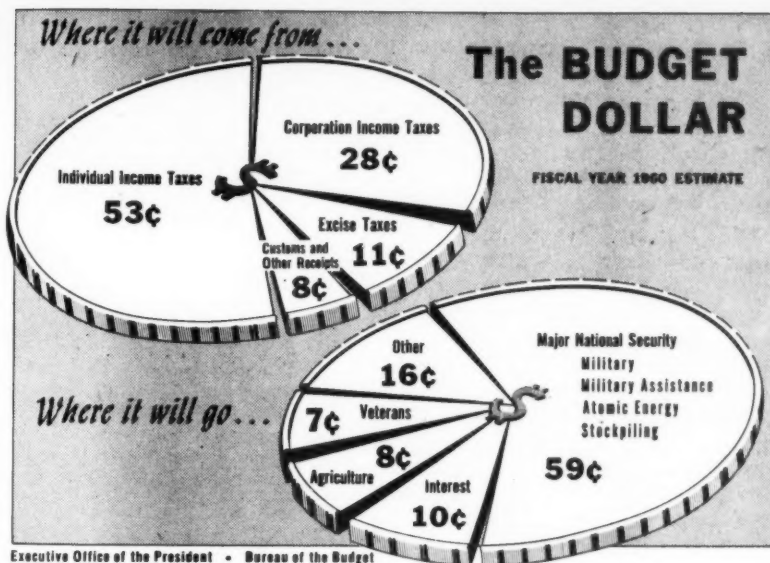
The U.S. government does not favor commodity stabilization agreements in principle. While recent U.S. policy statements indicate recognition of the problems caused by price fluctuations, the U.S. continues to regard international commodity agreements as an ineffective and undesirable means of dealing with the problem. Like most other countries, however, the United States has adhered to the case-by-case approach, considering each proposal on its merits. We are participating in two of the three existing commodity agreements (wheat and sugar), but not in the third (tin).

Furthermore, the U.S. is participating in practically all the intergovernmental study groups, including those relating to cotton, coffee, cocoa, rubber, and wool, and in international meetings such as the recent ones on copper, lead, and zinc. Our participation in these groups reflects the U.S. position that study groups can provide the kind of continuing review of commodity situations which can do much to help maintain stable markets and improve trade.

Attitude toward the current concept of study groups is illustrated in the following description by Milton Eisenhower of U.S. participation in the coffee study group:

"The United States, with sympathetic understanding of the seriousness of this problem to the producing nations, has helped to create an international coffee study group which, I am sure, is causing experts in the field to stop chasing shadows, to cease directing criticism where criticism is not due. Now, instead, all the facts about changing production, consumption, quotas, surpluses, and tax impediments are being objectively analyzed, and from these facts possible courses of action are being carefully considered."

U.S. policies on international commodity trade, of course, must also be related to other U.S. policies, including foreign trade and aid policies; domestic economic policies; raw materials policies, including stockpiling of strategic materials; and agricultural price-support policies, including disposal of agricultural surpluses.



The President Proposes

The President's three major messages to Congress at the beginning of the legislative session—the State of the Union, the Budget Message, and the Economic Report—discussed the rapid economic recovery from last year's recession, proposed a balanced budget for fiscal 1960, and stressed the threat of and the need to avoid inflation. The cost of national security—60 percent of the \$77 billion estimated expenditures—dominated all three messages.

With receipts estimated at \$77.1 billion, the balance can be achieved, the President told Congress. He said: "This budget from here on depends upon congressional response, popular support, and developments in our economy and in the world."

A slight surplus in the fiscal 1960 plan would be made possible by adding \$3.841 billion to expenditures in fiscal 1959 (instead of putting it in the 1960 budget), and by an increase in revenues of \$9.1 billion. One of the principal 1960 savings would be achieved if Congress should authorize, as proposed, \$1.375 billion for the International Monetary Fund before the end of this fiscal year. This would be added to the fiscal 1959 deficit, bringing that deficit up to about \$12.9 billion.

Another 1960 saving would be made by allowing the Export-Import Bank to sell enough of its assets to cover the amount needed for its financing.

The forecast of increased revenues is based on some proposed changes in taxes, and on the assumption that the gross national product will rise from \$437 billion in calendar 1958 to more than \$470 billion in calendar 1959, which will insure more tax money for the Treasury.

A full picture of the President's budgetary requests to Congress must also include his requests in the form of new obligational authority for fiscal 1960 and for supplemental obligational authority for 1959.

When Congress grants an obligational authority (usually in the form of appropriations) it is in effect authorizing the Government to obligate itself for goods and services which will show up in federal expenditures in some future fiscal year.

OF LEAGUE INTEREST

Two of the 11 key features of the budget have to do with economic aid to the developing nations, and with development of U.S. water resources.

Foreign Economic Development.

In contrast to the 60 percent of the budget which would be spent for national defense and security (including military assistance given to our allies through the Mutual Security Program), 2.8 percent of the budget would be spent for international affairs and finance. This percentage figure, which translated into dollars means \$2.129 billion, covers the economic assistance part of the

Mutual Security Program: Defense Support, Development Loan Fund, and technical and other assistance. It also includes other economic and technical development, the conduct of foreign affairs, and foreign information and exchange activities.

The President urged that we "assist free nations in their economic development through well-considered programs," as follows. 1) A proposed 100 percent increase in our subscription to the International Bank for Reconstruction and Development (World Bank), in the form of a guarantee, and a proposed 50 percent increase in our subscription to the International Monetary Fund. 2) A supplemental appropriation of \$225 million in fiscal 1959 for the Development Loan Fund. 3) Creation of a joint development bank with Latin America. 4) New obligational authority of \$700 million for the Development Loan Fund and \$211 million for technical cooperation in fiscal 1960. 5) Enactment of authorizing legislation to expand the mutual security investment guarantee program.

Proposals for the Mutual Security Program may be modified following the report of a presidential committee now making a study. The report is due in March, when a special message will be sent to Congress.

Water Resources. The President noted that the combined outlay for reclamation, flood control, and navigation projects is estimated to be higher in fiscal 1960 than ever before, because of earlier grants of obligational authority. Even though the new budget does not propose any new starts in water resource projects beyond those for which initial appropriations have already been made, expenditures are expected to increase again in fiscal 1961 and to continue at that level in 1962.

"One of the most pressing needs for achieving a sound water resources policy," said the President, "is the establishment of a consistent basis for cost sharing on flood control projects. . . . Legislation will be proposed to set a uniform basis of cost sharing for all projects not yet under construction that produce identifiable flood protection benefits to local areas. Under such legislation, non-federal interests would bear at least 30 percent of the cost. Operation and maintenance would be a state or local responsibility."

League of Women Voters Proposed Budget 1959-60

EXPENDITURES	Budget 1958-1959	Proposed 1959-1960
General Administration		
Board of Directors	\$ 13,790.00	\$ 16,200.00
Committee Meetings	700.00	900.00
Office Operation	31,196.00	31,626.00
Fees (Auditing and Legal)	900.00	900.00
Public Relations	800.00	850.00
Non-League Meetings	400.00	400.00
Affiliations	125.00	125.00
Salaries	56,510.00	56,110.00
	104,421.00	107,111.00
Capital Expenditures		
New Equipment	1,415.00	1,715.00
*Publications (Cost & Production)		
THE NATIONAL VOTER	23,300.00	23,874.00
Publications, Publications Service, Special Subscription Service	50,500.00	39,700.00
Salaries	61,092.00	60,673.00
Total Costs	134,892.00	124,247.00
Less Sales	81,300.00	66,600.00
Net Costs	53,592.00	57,647.00
Field Service		
Travel and Tools for New Leagues	13,369.00	13,300.00
Salaries	35,128.00	34,887.00
	48,497.00	48,187.00
Total Expenditures	\$207,925.00	\$214,660.00
INCOME		
League Support	184,825.00	192,660.00
Unsolicited Gifts	2,000.00	1,000.00
Interest on Auxiliary Income Fund	3,500.00	4,000.00
Interest on Reserve Fund	2,600.00	3,000.00
Reserve Fund	15,000.00	14,000.00
Total Income	\$207,925.00	\$214,660.00

* In and out items—costs less sales.

Convention costs are being budgeted for in a separate budget.

Federal grants to the states for fiscal 1960 construction of waste-treatment plants are estimated as a budget expenditure of \$30 million. New obligational authority of \$20 million is requested to carry on the program which, he proposes, would be terminated at the end of the 1960 fiscal year. A revision of the federal excise telephone tax is proposed to make it possible for states to receive a portion

of that tax to finance two programs—waste-treatment facilities and vocational education.

The budget includes expenditures for planning and assembling basic data for future water projects, and legislative authorization of the Fryngpan-Arkansas project in Colorado. Research will continue on processes for converting sea water and brackish water to fresh water.

Budgetary Reform. The President asked, as every President since Ulysses S. Grant has, that Congress grant him the privilege of vetoing items in appropriations and in authorizing legislation. He also urged Congress to make use of the procedures provided in the Legislative Reorganization Act of 1946 for handling a consolidated budget.

D.C. Home Rule. The President also recommended home rule for the District of Columbia. "It would be unconscionable," he said, "if . . . action were delayed any longer."

THE NATIONAL VOTER

Vol. VIII February, 1959 No. 11

Published monthly by the League of Women Voters of the United States
1026 17th Street, N. W.
Washington 6, D. C.

MRS. ROBERT J. PHILLIPS, President
DOROTHY FELKER GIRTON, Editor

Second class postage paid at
Washington, D. C.

Subscriptions: \$1.00 a year in United States
and U. S. territories and possessions,
Canada, Mexico;
all other countries, \$1.50 a year

Single copy: 10 cents.
(Quantity prices on request.)

Printed by National Publishing Co.